

ITG News
Keeping First Nations Informed

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Message from the Director

The recent Consultation Listening meeting held in February in Arlington, Virginia included a discussion on whether the Internal Revenue Service uses “cookies” to track access to www.irs.gov, the web site we use to provide all customers with ready access to federal tax information. While we reassured the attendees that there is no tracking of access and even posted a link at the bottom of the ITG landing page, the discussion made me realize that we should clearly articulate our overall concern for the privacy of Tribal tax information.

The Internal Revenue Code contains significant limitations on the accessibility of tax information. Quite simply, tax information is protected as some of the most confidential data that the federal government maintains. The IRS is prohibited from sharing information with very narrowly defined exceptions. Those exceptions generally cover court ordered releases, limited information sharing with other taxation agencies, and releases of information to Congress under federal statutes that require such information to be provided in order to enhance tax compliance.

The statutes impose severe penalties on any IRS official who releases information to a third party, whether orally or in writing, beyond those situations where it is a legal requirement, or necessitated to obtain necessary information for tax administration requirements. Such a situation might include sharing information with IRS Counsel where necessary to obtain legal advice on

a Tribal issue.

Independent of the legal requirements that protect your tax information, I want to state my firm commitment to protecting the privacy of any conversations that you may have with me or my staff. For example, those who have attended the Consultation Listening meetings held to date are aware that we do not collect names of attendees unless they wish to provide them. Where Tribes have requested one-on-one meetings to discuss individual matters, we have scheduled them in a private area and have maintained those conversations as confidential.

We will continue to respect the requirements of federal law as well as respect your rights as a sovereign entity. Your information and our discussions will not be shared with anyone except those with a “need to know.”

As always, I am available to discuss any concerns you may have by calling me at (202) 283-9736.

Christie Jacobs

New Rules Outlined for ITIN Acceptance Agents

The Internal Revenue Service has announced new rules for individuals who participate in the Individual Taxpayer Identification Number (ITIN) Acceptance Agent program.

An Acceptance Agent is an individual, business or organization (college, financial institution, accounting firm, etc.) authorized by IRS to assist individuals in obtaining ITINs. Acceptance Agents review applicants' documentation, complete a certificate of accuracy, and forward the certificate and application to the IRS for processing.

The ITIN is for taxpayers who do not qualify for a Social Security Number but who still need the nine-digit identification number used by the IRS to process a Form 1040 and other tax schedules.

Revenue Procedure 2006-10 outlines the new rules and instructions for Acceptance Agents. The four major changes are:

- Acceptance Agent applicants are required to submit to suitability checks.
- Existing Acceptance Agent agreements will expire on December 31, 2006. Acceptance Agents must reapply to retain their approved status.

- Acceptance Agent agreements must be renewed every fourth year.
- Acceptance Agents may request their names be added to a publicly available list that will be published by the IRS.

These changes are part of an on-going IRS effort to ensure that ITINs are used strictly for tax administration purposes. In recent years, the IRS has made a number of revisions to the ITIN program such as requiring the ITIN application be accompanied by a completed tax form and streamlining the number of identification documents that Acceptance Agents can use to confirm the ITIN applicant's identity.

Acceptance Agent applicants can download or print Form 13551, Application to Participate in the IRS Acceptance Agent Program, which is available on the IRS web site at www.irs.gov.

Employee Tip Income Program Questions

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Julie Reese at (303) 231-5250, ext. 236.

Publication 4268—Employment Tax Guide for Tribes

Our on-line Employment Tax Guide continues to receive a very positive response from tribal payroll and finance employees. You can download this comprehensive guide from a link on our landing page at www.irs.gov/tribes.

Common Compliance Problems Identified through Compliance Checks

Compliance Checks remain a valuable tool to assess the areas where tribes may have federal tax responsibilities and help to mitigate potential problems. Our January 2006 issue introduced the Tribal Evaluation of Filing and Accuracy Compliance (TEFAC) which was designed to allow qualifying tribes to conduct their own self Compliance Check. Information on the entire Compliance Check process, as well as useful references on common tribal tax issues, can be accessed on our web landing page by clicking on "Enhancing Federal Tax Compliance."

The following list shows the “Top 10” items that are surfacing via Compliance Checks and may be useful to you in assessing your own situation. If you believe you may have any of the issues outlined below, you may wish to apply to conduct a self Compliance Check through our TEFAC program. The process is also outlined on our web site at www.irs.gov/tribes.

“The Top 10”

1. FUTA – tribes still making tax deposits and/or filing Forms 940 when they are not required to pay FUTA because they participate in State unemployment.
2. Noncompliance with Revenue Ruling 59-354 - Tribal council members' pay being handled incorrectly and reported on a Form 1099 instead of a Form W-2 or being reported on a Form W-2 with FICA, Medicare and income tax withheld.
3. Form 1099 problems:
 - the forms were not prepared at all,
 - the forms were prepared incorrectly (amounts in the wrong box, etc.),
 - the forms were prepared but not submitted to IRS,
 - the incorrect copy was submitted to IRS,
 - not aware of the exception to filing on payments to corporations,
 - not aware of requirement to file 1099 for medical and legal expenses, even if the recipient is incorporated.
4. Employment tax return filing/deposit problems
 - tax returns filed but no tax deposits were made,
 - deposits were made but no return was filed,
 - deposits were made to incorrect period,
 - deposits were made using the wrong timetable (e.g. monthly deposits when should be semiweekly),
 - unaware of the "next day" deposit rule,
 - Form 941 was filed with no Schedule B attached.
5. Forms W-9 and W-4 are not being used or are not being updated when necessary.
6. Unaware of requirement to backup withhold if no TIN provided prior to payment.
7. Payments to tribal members (committee members, gaming and non-gaming per capita) not reported on information returns, reported on the wrong information return, required withholding not done, or withholding done incorrectly.
8. Amounts on Forms W-2, W-3, and 941 don't reconcile.
9. Incorrect filing requirements for the entity, or there are other tribal entities that were not identified to the IRS as belonging to the tribe.
10. Unaware of magnetic media filing requirement, and unaware of FIRE system (Filing Information Returns Electronically).

Addressing Your Feedback

Many tribes have taken the time to tell us how we can better serve their federal tax administration needs. Participation by Tribes in the annual ITG Customer Satisfaction Survey, Consultation Listening meetings, and direct contacts, has enabled us to identify areas where we can improve the products and services that we provide for tribes while still maintaining those that are valued as they currently exist.

Below are some changes that are currently being implemented as a result of your feedback. Other changes will soon follow:

- As new federal tax developments surface, we will be using our tribal e-mail distribution list to send information directly to you in a more timely manner.
- A headline area of our web site landing page will now focus on "Recent Developments" and will provide a direct link to recent court cases, new IRS Counsel rulings and opinions, updated ITG web site postings, new ITG products, and newly enacted federal tax legislation that could impact tribes.
- We will be creating a "Helpful Hints to Avoid Penalties" guide to post on the ITG web site along with a blast e-mail distribution showing a link to that new guide.
- With your assistance, we will undertake a structured canvass to identify issues that are unique to your Tribe.
- At a minimum, we will notify tribes annually of the name and telephone number of their assigned ITG Specialist.

ITG is committed to meeting your needs as they are identified. Since the annual IRS Satisfaction Survey is the primary mechanism to assist us in determining areas for improvement, we want to encourage your participation in the survey. It will be mailed to you in late-summer 2006.

Reporting Abuses/Schemes

We continue to work with tribes and tribal officials to address financial abuses and schemes being promoted in Indian country. Working together can help ensure the integrity of tribal finances, and eliminate the threats posed by individuals with schemes that appear "too good to be true" and often are.

If you are aware of financial impropriety or of a promoter advocating a scheme that appears highly suspect, you can contact the ITG Abuse Detection and Prevention Team at (716) 686-4860 or via e-mail at tege.itg.schemes@irs.gov.

W-2 News - Subscribe Today!

Do you submit Forms W-2 (Wage and Tax Statement) to Social Security for your business or your clients? If you do, you will want to sign up for W-2 News - a free electronic newsletter.

Because your time is valuable, this newsletter is issued only when important wage reporting information becomes available, such as when:

- Changes occur in W-2 reporting requirements;
 - Changes occur in Paper and Electronic Filing Instructions;
 - The new MMREF and AccuWage become available; or
- The Business Services Online Web site opens for business.

To sign up, go to <http://www.socialsecurity.gov/employer/w2news>. Provide your email address and select Submit.

NOTE: You will automatically receive this newsletter if you provided your email address when you registered with Business Services Online or if you indicated in your MMREF RecordRA, Submitter Record, that your preferred method of contact was email/Internet.

Publication 4268—Employment Tax Guide for Tribes

Our on-line Employment Tax Guide continues to receive a very positive response from tribal payroll and finance employees. You can download this comprehensive guide from a link on our landing page at www.irs.gov/tribes.

Social Security Now Offers W-2c Online

Social Security has expanded its online Business Services suite of wage reporting services to include W-2c Online. W-2c Online allows you to create, print, and submit up to five Forms W-2c per W-3c over the Internet.

After the introduction of W-2 Online in 2002, many employers requested a similar method to enable them to report corrections electronically. Social Security thinks that you will find W-2c Online to be just as user friendly as its other electronic services. As with W-2 Online, support services are available for W-2c Online.

Even if you file your wage reports using methods other than electronic filing, you may still use W-2c Online to make corrections to those wage reports. If you have any questions, visit Social Security online at <http://www.socialsecurity.gov/employer> or call 800-772-6270.

ITG Specialists Lost to Retirement in the Great Lakes Area

We recently lost two valued Specialists in the Great Lakes Area. Both Joe Hedglin and Pat Kearns recently left IRS to begin long deserved retirements. Their Tribal customers will continue to be supported by the ITG Specialists in the Great Lakes Area.

ITG Area Contacts

Great Lakes Area

Michigan, Minnesota, Wisconsin

John Walters, Manager
Fargo, ND
701 239-5400
john.l.walters@irs.gov

Rob Bixby, Specialist
Green Bay, WI
920 433-3810 x 4021
robert.d.bixby@irs.gov

Sandra King, Specialist
Sault Ste Marie, MI
906 635-9389
sandra.king@irs.gov

Stan Wiatros, Specialist
St. Paul, MN
651 312-7732
stanley.j.wiatros@irs.gov

Rick Ziton, Specialist
St. Paul, MN
651 312-7734
richard.j.ziton@irs.gov

Telephone, Internet, and Mailing Address

Call: Customer Account Services toll free 877-829-5500
Visit: Indian Tribal Governments Web site at www.irs.gov/tribes
Write to:
Internal Revenue Service
Indian Tribal Governments SE:T:GE:ITG
111 Constitution Ave., NW
Washington, DC 20224

Federal Tax Calendar for Second Quarter 2006

April 2006

Wednesday, April 5 - * make a deposit for 3/29-3/31

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|---------------------|--|
| Friday, April 7 | - * make a deposit for 4/1-4/4 |
| Monday, April 10 | - employees report March tip income to employers if \$20 or more |
| Wednesday, April 12 | - * make a deposit for 4/5-4/7 |
| Friday, April 14 | - * make a deposit for 4/8-4/11 |
| Monday, April 17 | - **make a deposit for March if under the monthly Deposit Rule |
| Wednesday, April 19 | - *make a deposit for 4/12-4/14 |
| Friday, April 21 | - *make a deposit for 4/15-4/18 |

May 2006

- | | |
|-------------------|--|
| Wednesday, May 3 | - *make a deposit for 4/26-4/28 |
| Friday, May 5 | - *make a deposit for 4/29-5/2 |
| Wednesday, May 10 | - *make a deposit for 5/3-5/5 |
| | - employees report April tip income to employers if \$20 or more |
| Friday, May 12 | - *make a deposit for 5/6-5/9 |
| Monday, May 15 | -**make a deposit for April if under the monthly deposit rule |
| Wednesday, May 17 | - *make a deposit for 5/10-5/12 |
| Friday, May 19 | - *make a deposit for 5/13-5/16 |
| Wednesday, May 24 | - *make a deposit for 5/17-5/19 |
| Friday, May 26 | - *make a deposit for 5/20-5/23 |

June 2006

- | | |
|--------------------|--|
| Thursday, June 1 | - *make a deposit for 5/24-5/26 |
| Friday, June 2 | - *make a deposit for 5/27-5/30 |
| Wednesday, June 7 | - *make a deposit for 5/31-6/2 |
| Friday, June 9 | - *make a deposit for 6/3-6/6 |
| Monday, June 12 | - employees report May tip income to employers if \$20 or more |
| Wednesday, June 14 | - *make a deposit for 6/7-6/9 |
| Thursday, June 15 | - **make a deposit for May if under the monthly deposit rule |
| Friday, June 16 | - *make a deposit for 6/10-6/13 |
| Wednesday, June 21 | - *make a deposit for 6/14-6/16 |
| Friday, June 23 | - *make a deposit for 6/17-6/20 |
| Wednesday, June 28 | - *make a deposit for 6/21-6/23 |
| Friday, June 30 | - *make a deposit for 6/24-6/27 |

* Make a payroll deposit if you are under the semi-weekly deposit rule.

* * Make a monthly deposit if you qualify under that rule.

NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.

Return Filing Dates

May 1st

- File Form 730 and pay the tax on applicable wagers accepted during March.
- File Form 941 for the 1st quarter of 2006. If all deposits paid on time and in full, file by May 10th.

May 31st

- File Form 730 and pay the tax on applicable wagers accepted during April.

June 30th

- File Form 730 and pay the tax on applicable wagers accepted during May.
